

## GENERAL AVIATION INDUSTRY REPARATIONS ACT OF 2002

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APRIL 15, 2002.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. YOUNG of Alaska, from the Committee on Transportation and Infrastructure, submitted the following

### R E P O R T

[To accompany H.R. 3347]

[Including cost estimate of the Congressional Budget Office]

The Committee on Transportation and Infrastructure, to whom was referred the bill (H.R. 3347) to provide economic relief to general aviation entities that have suffered substantial economic injury as a result of the terrorist attacks perpetrated against the United States on September 11, 2001, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

#### SECTION 1. SHORT TITLE.

This Act may be cited as the “General Aviation Industry Reparations Act of 2002”.

#### SEC. 2. GENERAL AVIATION INDUSTRY REPARATIONS.

(a) IN GENERAL.—Notwithstanding any other provision of law, the President shall take the following actions to compensate general aviation entities and their employees for economic injuries incurred by such entities and employees as a result of the terrorist attacks on the United States that occurred on September 11, 2001:

(1) Subject to such terms and conditions as the President deems necessary and subject to subsection (b), issue Federal credit instruments to such entities that do not, in the aggregate, exceed \$3,000,000,000 and provide the subsidy amounts necessary for such instruments in accordance with the provisions of the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).

(2) Compensate such entities and employees in an aggregate amount equal to \$2,500,000,000 for—

(A) direct losses incurred beginning on September 11, 2001, by such entities as a result of any Federal ground stop order issued by the Secretary of Transportation or any subsequent order which continues or renews such a stoppage;

(B) the incremental losses incurred beginning September 11, 2001, and ending December 31, 2001, by such entities as a direct result of such attacks;

(C) the incremental losses incurred by employees of an entity receiving assistance under this Act who lost their jobs (other than for cause) at any time during the period between September 11 and December 31, 2001, as a result of the such attacks; except that incremental losses under this subparagraph shall be limited to—

(i) losses incurred, during a period of 90 days beginning on the date of the job loss, as lost compensation offset by compensation paid by any other entity; and

(ii) the added costs to such employees, for themselves and their dependents, of health insurance premiums and medical expenses incurred, during such 90-day period, that—

(I) would have been paid by health insurance coverage that was lost as a result of the job loss or as a result of other action to reduce expenses taken by the entity receiving assistance under this Act; and

(II) were not paid by other insurance coverage, a government agency, or charitable gift; and

(D) direct losses incurred by such entities as a direct result of flight restrictions for a period of one week or more imposed by the Secretary of Transportation before the date of enactment of this Act in response to the increased security required by such attacks.

(b) **LIMITATION ON AGGREGATE AMOUNT OF CREDIT INSTRUMENTS.**—The aggregate amount of Federal credit instruments that may be issued under section 101(a)(1) of the Air Transportation Safety and System Stabilization Act (49 U.S.C. 40101 note; 115 Stat. 230) shall be reduced by the aggregate amount of Federal credit instruments issued under subsection (a)(1) of this section.

(c) **EMERGENCY DESIGNATION.**—Congress designates the amount of new budget authority and outlays in all fiscal years resulting from this Act as an emergency requirement pursuant to section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901(e)). Such amount shall be available only to the extent that a request, that includes designation of such amount as an emergency requirement as defined in such Act, is transmitted by the President to Congress.

(d) **DEADLINE FOR APPLICATIONS.**—Not later than 14 days after the date of enactment of this Act, the President shall establish and publish in the Federal Register a deadline for the issuance of Federal credit instruments under this section and a deadline for the submission of applications for payments of compensation under this section.

### **SEC. 3. STABILIZATION BOARD.**

(a) **FEDERAL CREDIT INSTRUMENTS.**—

(1) **OPERATING PLAN.**—An obligor seeking issuance of a Federal credit instrument under section 2(a)(1) shall submit to the Air Transportation Stabilization Board, established under section 102(b) of the Air Transportation Safety Stabilization Act (49 U.S.C. 40101 note; 115 Stat. 231), an operating plan (including budget and cash flow projections) and financial plan for the period of time that the instrument will be in effect. Such plans shall demonstrate to the satisfaction of the Board the ability of the obligor to continue operations as an ongoing general aviation entity during and after the period of time the instrument will be in effect.

(2) **ISSUANCE.**—The Board, in consultation with the Small Business Administration, may enter into agreements with 1 or more obligors to issue Federal credit instruments under section 2(a)(1) if the Board determines, in its discretion, that—

(A) the obligor is a general aviation entity for which credit is not reasonably available at the time of the transaction;

(B) the intended obligation by the obligor is prudently incurred;

(C) the obligor has furnished reasonable assurance that it will be able to repay all loans and other debt obligations covered by the Federal credit instrument in accordance with the terms of such loans and other obligations;

(D) the obligor intends to continue to operate as a general aviation entity, and the operating and financial plan submitted by the obligor under paragraph (1) satisfies the demonstration required by paragraph (1); and

(E) the type of aviation services or products (or both) provided by the obligor are an important part of a safe, efficient, and viable general aviation system.

(b) **TERMS AND LIMITATIONS.**—

(1) **FORMS; TERMS AND CONDITIONS.**—A Federal credit instrument shall be issued under section 2(a)(1) in such form and on such terms and conditions and contain such covenants, representations, warranties, and requirements (includ-

ing requirements for audits) as the Board determines appropriate. The Board may issue a Federal credit instrument under section 2(a)(1) to pay all or part of any of the principal of and interest on a loan or other debt obligation issued to the obligor.

(2) PROCEDURES.—Not later than 14 days after the date of enactment of this Act, the Director of the Office of Management and Budget shall issue regulations setting forth procedures for application and minimum requirements, which may be supplemented by the Board in its discretion, for the issuance of Federal credit instruments under section 2(a)(1).

(c) FINANCIAL PROTECTION OF GOVERNMENT.—

(1) IN GENERAL.—To the extent feasible and practicable, the Board shall ensure that the Government is compensated for the risk assumed in making guarantees under this Act.

(2) GOVERNMENT PARTICIPATION IN GAINS.—To the extent to which any participating entity accepts financial assistance, in the form of accepting the proceeds of any loans guaranteed by the Government under this Act, the Board is authorized to enter into contracts under which the Government, contingent on the financial success of the participating entity, would participate in the gains of the participating entity or its security holders through the use of such instruments as warrants, stock options, common or preferred stock, or other appropriate equity instruments.

(3) DEPOSIT IN TREASURY.—All amounts collected by the Government under this subsection shall be deposited in the Treasury as miscellaneous receipts.

**SEC. 4. SPECIAL RULES FOR COMPENSATION.**

(a) LIMITATION ON AMOUNT OF COMPENSATION.—

(1) DOCUMENTATION.—Subject to subsection (b), the amount of compensation payable under section 2(a)(2) to a general aviation entity may not exceed the amount of losses described in such section that such entity demonstrates to the satisfaction of the President, using sworn financial statements or other appropriate data, that such entity incurred.

(2) AUDITS.—The Secretary of Transportation and the Comptroller General of the United States may audit statements referred to in paragraph (1) and may request any information that the Secretary and the Comptroller General deem necessary to conduct such audit.

(b) PRIORITY.—The President shall give priority for compensation under section 2(a)(2) to a general aviation entity—

(1) based on the length of time that the entity has been unable to operate as a result of the terrorist attacks on the United States that occurred on September 11, 2001; and

(2) if the entity is a small business concern (as defined under section 3 of the Small Business Administration Act (15 U.S.C. 632(a))).

(c) AMOUNT OF COMPENSATION.—In order to ensure that compensation provided under section 2(a)(2) is distributed equitably among general aviation entities that have substantiated losses described in section 2(a)(2), the President may provide compensation under section 2(a)(2) to a general aviation entity that is an amount less than the amount of losses incurred by the entity and substantiated by the entity as losses for which compensation may be made under section 2(a)(2).

(d) PAYMENTS.—The President may provide compensation under section 2(a)(2) to general aviation entities in 1 or more payments up to the amount authorized by this Act.

(e) EMPLOYEE PROTECTION.—If the President provides compensation to a general aviation entity under subparagraph (A) or (B) of section 2(a)(2), the President must also provide compensation to its employees under subparagraph (C) of such section. The President shall develop procedures to ensure that an application by a general aviation entity for compensation includes complete information about losses of employees of such entity.

**SEC. 5. LIMITATION ON CERTAIN EMPLOYEE COMPENSATION.**

(a) IN GENERAL.—The President may only issue a Federal credit instrument, or provide compensation, under section 2(a) to a general aviation entity after the entity enters into a legally binding agreement with the President that, during the 2-year period beginning on the date of enactment of this Act, no officer or employee of the entity whose total compensation exceeded \$300,000 in calendar year 2000 (other than an employee whose compensation is determined through an existing collective bargaining agreement entered into prior to such date of enactment)—

(1) will receive from the entity total compensation which exceeds, during any 12 consecutive months of such 2-year period, the total compensation received by the officer or employee from the entity in calendar year 2000; and

(2) will receive from the entity severance pay or other benefits upon termination of employment with the entity which exceeds twice the maximum total compensation received by the officer or employee from the entity in calendar year 2000.

(b) **TOTAL COMPENSATION DEFINED.**—In this section, the term “total compensation” includes salary, bonuses, awards of stock, and other financial benefits provided by a general aviation entity to an officer or employee of the entity.

**SEC. 6. DOMESTIC INSURANCE AND REIMBURSEMENT OF INSURANCE COSTS.**

Section 44302 of title 49, United States Code, is amended—

(1) in each of subsections (b), (c), and (d) by inserting “or general aviation entity (as defined in section 3 of the General Aviation Industry Reparations Act of 2002)” after “air carrier”; and

(2) in subsection (b)(4) by inserting “and general aviation entities” after “air carriers”.

**SEC. 7. REPORT.**

Not later than the 180th day following the date of enactment of this Act, the President shall transmit to the Committee on Transportation and Infrastructure, the Committee on Appropriations, and the Committee on the Budget of the House of Representatives and the Committee on Commerce, Science, and Transportation, the Committee on Appropriations, and the Committee on the Budget of the Senate a report on the amount of assistance provided under this Act to each general aviation entity and the financial status of such entity.

**SEC. 8. HEALTH INSURANCE.**

(a) **HEALTH INSURANCE AGREEMENT.**—The President may only issue a Federal credit instrument to a general aviation entity under section 2(a)(1) if the entity has entered into a legally binding agreement with the President to provide—

(1) for payment of costs attributable to providing health insurance coverage as described in subsections (b) and (c); and

(2) for maintenance of current health benefit and contribution levels as described in subsection (d).

(b) **PAYMENT OF HEALTH INSURANCE COVERAGE FOR FORMER EMPLOYEES WHO LOSE COVERAGE.**—Under the agreement under subsection (a) and subject to subsection (e), the entity shall pay the costs attributable to providing health insurance coverage for a former employee (and the employee’s dependents) if the former employee—

(1) was provided health insurance coverage on September 11, 2001, by the entity; and

(2) lost his or her job, after September 11, 2001, and before the date the entity is issued a Federal credit instrument under section 2(a)(1), as a result of the terrorist attacks on the United States that occurred on September 11, 2001.

(c) **PAYMENT OF HEALTH INSURANCE COVERAGE FOR CURRENT EMPLOYEES WHO LOSE COVERAGE.**—Under the agreement under subsection (a) and subject to subsection (e), the entity shall pay the costs attributable to providing health insurance coverage for an employee (and the employee’s dependents) if the employee—

(1) was provided health insurance coverage on September 11, 2001, by the entity;

(2) lost such coverage, after September 11, 2001, and before the date the entity is issued a Federal credit instrument under section 2(a)(1), by reason of the entity’s response to economic conditions arising out of the terrorist attacks on the United States that occurred on September 11, 2001; and

(3) is employed by such entity on the date of issuance of such instrument.

(d) **MAINTENANCE OF CURRENT BENEFIT LEVELS FOR CURRENTLY INSURED EMPLOYEES.**—Under the agreement under subsection (a) and subject to subsection (e), the entity shall not reduce the amount of health benefits or employer contribution made for health insurance coverage for employees employed by the entity as of the date the entity is issued a Federal credit instrument under section 2(a)(1) below the level of such benefits and contributions in effect on February 27, 2002.

(e) **LIMITATIONS.**—The obligation of a general aviation entity—

(1) under subsections (b), (c), and (d) shall be limited to a period of 6 months beginning on the date the entity is issued a Federal credit instrument under section 2(a)(1);

(2) under subsections (b) and (c) shall not apply to an employee who lost a job for cause; and

(3) under subsection (b) shall not apply to an employee after the date that the employee is first employed on a full-time, non-seasonal basis after the date of the job loss referred to in subsection (b).

(f) **HEALTH INSURANCE COVERAGE DEFINED.**—For purposes of this section and section 2, the term “health insurance coverage” has the meaning given such term in subsection (b)(1) of section 733 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1191b) and includes coverage under a group health plan (as defined in subsection (a)(1) of such section).

**SEC. 9. DEFINITIONS.**

In this Act, the following definitions apply:

(1) **FEDERAL CREDIT INSTRUMENT.**—The term “Federal credit instrument” means any guarantee or other pledge by the Air Transportation Stabilization Board issued under section 2(a)(1) of this Act to pledge the full faith and credit of the United States to pay all or part of any of the principal of and interest on a loan or other debt obligation issued by an obligor and funded by a lender.

(2) **GENERAL AVIATION ENTITY.**—The term “general aviation entity” means any person (other than an air carrier or foreign air carrier) that—

(A) operates nonmilitary aircraft under part 91 of title 14, Code of Federal Regulations, for the purpose of conducting its primary business;

(B) manufactures nonmilitary aircraft with a maximum seating capacity of fewer than 20 passengers or aircraft parts to be used in such aircraft;

(C) provides services necessary for nonmilitary operations under such part 91; or

(D) operates an airport, other than a primary airport (as such terms are defined in section 40102 of title 49, United States Code), that—

(i) is listed in the national plan of integrated airport systems developed by the Federal Aviation Administration under section 47103 of such title; or

(ii) is normally open to the public, is located within the confines of enhanced class B airspace (as defined by the Federal Aviation Administration in Notice to Airmen FDC 1/0618), and was closed as a result of an order issued by the Federal Aviation Administration in the period beginning September 11, 2001, and ending January 1, 2002, and remained closed as a result of that order on January 1, 2002.

Such term includes fixed based operators, flight schools, manufacturers of general aviation aircraft and products, persons engaged in nonscheduled aviation enterprises, and general aviation independent contractors.

(3) **INCREMENTAL LOSS.**—The term “incremental loss” does not include any loss that the President determines would have been incurred if the terrorist attacks on the United States that occurred on September 11, 2001, had not occurred.

**PURPOSE OF THE LEGISLATION**

H.R. 3347 provides relief to general aviation entities that have suffered substantial economic injury as a result of the terrorists attacks perpetrated against the United States on September 11, 2001.

**BACKGROUND AND NEED FOR THE LEGISLATION**

General aviation has become a forgotten victim of the September 11, 2001 terrorist attacks on the United States. The Federal government imposed more severe and onerous restrictions on general aviation than any other sector of the aviation industry.

As a precaution during the attacks, the Federal Aviation Administration (FAA) grounded all civil aviation flights. However, unlike major airlines that were grounded for a few days, general aviation operations around major metropolitan areas were prohibited for weeks. Three airports in the Washington metropolitan area, Hyde Field, Potomac Airpark and College Park Airport, remained closed until February 14, 2002. General aviation is still prohibited from using Reagan National Airport. These restrictions have had devastating results for hundreds of small businesses across the Nation.

General aviation accounts for 60 percent of aircraft operations nationally and 92 percent of all registered aircraft. Since Sep-

tember 11, this sector of the economy has lost hundreds of millions of dollars. Thousands of hardworking men and women have lost their jobs. At a hearing on September 25, 2001, the Subcommittee on Aviation heard testimony that 25,000 general aviation workers have been laid off and 700 general aviation businesses have shut down (See pages 65 of September 25th hearing on aviation security). Fixed-based operators, flight schools, manufacturers, aerial surveyors, airport operators, and independent contractors all have been dramatically affected. Skytypers, a skywriting company near Manhattan, laid off all 15 of its pilots. General Aviation Services in Beverly, Massachusetts has seen its revenue drop by 75 percent. At least 5600 flight instructors lost their jobs while FAA restrictions on general aviation flights were in place. The Van Nuys Flight Center lost nearly \$30,000 a day during the shutdown. These are only a few examples of the hardships endured by thousands of general aviation entities.

Most of these companies are small, locally owned enterprises. They do not have large cash reserves and often do not have access to capital markets. Sadly, hundreds of these “Mom and Pop” shops have already closed their doors, and hundreds more are teetering on the brink of bankruptcy.

While the economic injury to this sector is a direct result of the September 11th disaster, most of these businesses do not qualify for relief under any established Federal law or program. H.R. 3347, the General Aviation Industry Reparations Act of 2001, attempts to repair some of the damage inflicted upon the general aviation industry as a direct result of the Federal airspace restrictions. It is modeled after the Air Transportation Safety and System Stabilization Act (P.L. 107-42), which provided the major airlines with relief from economic injuries that resulted from the Federal grounding of commercial air carrier operations following the terrorist attacks.

The Committee recognizes that other industries have also suffered financially from the September 11th attacks. However, like the airlines and unlike most of those other industries, general aviation entities were actually shut down and prohibited from carrying out their business by government action. While necessary under the circumstances, it was equivalent to a government taking and like similar takings, calls for government compensation.

The shut down of many general aviation businesses has resulted in lay-offs and hardship for the employees of those businesses. The Committee believes it is important that these employees share in the compensation their employers received and the reported bill provides for that.

While the reported bill focuses on compensation for general aviation entities and their employees, the Committee is also concerned about general aviation security. One of the best ways to address general aviation security is to systematically and immediately identify and characterize general aviation pilots. This issue has been the subject of security discussions within the general aviation community.

The Aircraft Owners and Pilots Association have petitioned the Federal Aviation Administration (FAA) for a rule requiring pilots to carry valid photo identification. This can be implemented quickly and would result in pilots having a picture identification (most

likely a valid state issued driver's license, government ID card, passport, or other form of identification that is acceptable to the FAA for security purposes), in addition to their pilot and medical certificates on their person when flying. The Committee recommends prompt action by the FAA on this petition for rule-making.

There are other initiatives under consideration for future action as required by the Aviation and Transportation Security Act (Public Law 107-71) including whether to require all pilot licenses to incorporate a photograph of the license holder and appropriate biometric imprints. A particularly promising initiative in this regard is the creation of a "smart card" that is underway at leading aeronautical universities and elsewhere. For a relatively modest cost, a testing program could be put quickly into place. The Committee urges the FAA and the Department of Transportation to consider supporting this work.

Indeed, research and testing in the aviation security area is of critical importance to ensure the integrity of our national aviation system. While there are measures that can serve to address the issues in the near term, a sustained program of research and development is essential. The committee notes that at least one leading aeronautical university is creating an archive and database of academic and technical literature focusing exclusively on aviation safety and security. Any new research should begin with a survey of the results of past work. A comprehensive online archive would be very helpful in doing that. Therefore, the committee urges the FAA and the Department of Transportation to take the necessary steps to ensure the prompt completion of all promising archival work.

H.R. 3347 provides economic relief to general aviation entities and their employees that have suffered substantial economic injury as a result of the terrorist attacks against the United States on September 11, 2001.

It provides emergency relief in the form of \$2.5 billion in grants to cover direct and incremental losses from the airspace restrictions on general aviation. It provides the President with the power to establish priority for compensation to a general aviation business based on the length of time that business has been unable to operate.

H.R. 3347 also provides loan guarantees to help general aviation enterprises secure private financing that had been available prior to the attacks of September 11th and it extends the War Risk Insurance program to include general aviation.

With respect to employees, the reported bill compensates employees of general aviation entities receiving assistance under the Act who lost their jobs (other than for cause) during the period between September 11 and December 31, 2001 as a result of the terrorist attacks, including reimbursement for lost compensation and increased costs of health insurance for 90 days.

The reported bill generally requires employers who take advantage of the loan guarantee program to continue, for a period of six months, any health coverage now in place; pay the costs of health insurance for current employees who lost their coverage since September 11 as a result of the employer's response to the economic conditions arising out of the terrorists' attacks; and pay the costs of health insurance for former employees for whom health insur-

ance was provided on September 11, 2001, but who lost coverage and jobs since the terrorists' attacks.

#### SUMMARY OF THE LEGISLATION

##### *Sec. 1.—Short title*

This Act may be cited as the “General Aviation Industry Reparations Act of 2002”.

##### *Sec. 2.—General aviation industry reparations*

Paragraph 2(a)(1) directs the President to issue Federal credit instruments that in the aggregate do not exceed \$3,000,000,000 to general aviation entities for economic losses that resulted from the terrorist attack on September 11, 2001.

Paragraph 2(a)(2) directs the President to provide direct compensation in the aggregate of \$2,500,000,000 to general aviation entities and their employees for direct losses and incremental losses that resulted from the terrorist attack on September 11, 2001. Incremental losses for qualified employees include healthcare costs that would have otherwise been covered by the employer or healthcare benefits in place on September 11, 2001.

Subparagraph 2(a)(2)(D) makes direct losses incurred by general aviation entities as a result of flight restrictions for a period of one week or more imposed by the Secretary before the date of enactment of this Act eligible for compensation. This includes direct losses that result from airspace restrictions imposed during the 2002 Winter Olympic Games in Salt Lake City, Utah.

Subsection 2(b) reduces the aggregate amount of Federal Credit Instruments that can be issued under the Air Transportation Safety and System Stabilization Act (P.L. 107–42) by the amount of Federal credit instruments issued under this Act.

Subsection 2(c) designates the amount of budget authority and outlays created by this bill as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985. Such amounts are only available at the request of the President.

##### *Sec. 3.—Stabilization Board*

Paragraph 3(a)(1) requires general aviation entities seeking a Federal Credit Instrument to submit to the Air Transportation Stabilization Board an operating plan and a financial plan covering the period of time the Federal credit instrument will be in effect. Such plans shall demonstrate the ability of the entity to continue operations as an ongoing general aviation entity.

Paragraph 3(a)(2) outlines the conditions under which the Board, in consultation with the Small Business Administration, may enter an agreement with 1 or more obligors to issue Federal credit instruments.

Subsection 3(b) provides the Board the authority to set such terms and limitations on Federal credit instruments as the Board determines appropriate. The Board may issue a Federal credit instrument to pay all or part of any of the principal and interest on a loan or other debt obligations.

Paragraph 3(c)(1) directs the Board to the extent feasible and practicable to ensure that the Federal government is compensated for the risk assumed in making guarantees under this Act.



Paragraph 3(c)(2) authorized the Board to enter into contracts under which the Government would participate in the gains of the participating entity through the use of warrants, stocks, common or preferred stock, or other appropriate equity instruments.

*Sec. 4.—Special rules for compensation*

Subsection 4(a) limits the amount of compensation payable to a general aviation entity to not more than the amount of losses that such entity demonstrates using sworn financial statements to the satisfaction of the President. The Secretary of Transportation and the Comptroller General of the United States may audit such statements.

Subsection 4(b) directs the President to give priority for direct compensation to entities that have been shutdown the longest and those that qualify as a small business.

Subsection 4(c) recognizes that the amount provided by this Act may not be enough to compensate all general aviation applicants. Accordingly, the President is authorized to provide compensation in an amount less than the amount of losses incurred by a general aviation entity to ensure that compensation is distributed equitably among general aviation entities.

Under subsection 4(e), if the President provides compensation to a general aviation entity, the President must also provide compensation to the qualified employees of such general aviation entity.

*Sec. 5.—Limitation on certain employee compensation*

This section limits Federal credit instruments and compensation to those general aviation entities that enter into legally binding agreements ensuring that no officer or employee whose total compensation exceeded \$300,000 in the year 2000 will receive compensation during any 12-month period that exceeds the total compensation received in calendar year 2000. It also limits severance pay for such officers and employees to twice the maximum total compensation received in 2000.

*Sec. 6.—Domestic insurance and reimbursement of insurance costs.*

Section 6 extends the provisions of the War Risk Insurance Program to cover general aviation entities.

*Sec. 7.—Report*

Section 7 requires the President to transmit not later than 180 days following enactment of this Act a report on the amount of assistance provided to each general aviation entity and the financial status of such entity.

*Sec. 8.—Health insurance*

Under subsection 8(a), the President may only issue a Federal credit instrument to a general aviation entity that enters into a legally binding agreement to provide for costs attributable to providing health insurance coverage and for maintenance of current health benefits and contributions.

Subsection 8(b) requires such general aviation entity to provide healthcare coverage to former employees who had coverage on September 11, 2001, and lost their jobs between September 11, 2001

and the date the Federal credit instrument is issued as a result of the terrorist attacks of September 11, 2001.

Subsection 8(c) requires such general aviation entity to provide healthcare coverage to current employees who had healthcare coverage on September 11, 2001 and lost such coverage between September 11, 2001 and the date the Federal credit instrument is issued as a response to economic conditions that resulted from the terrorist attacks of September 11, 2001.

Subsection 8(d) requires such general aviation entity to maintain healthcare benefits for employees employed on the date the Federal credit instrument is issued at the level of such benefits in effect on February 27, 2002.

Paragraph 8(e)(1) limits the obligation of such general aviation entity under subsections 8(b), 8(c) and 8(d) to the six-month period after the Federal credit instrument is issued.

Under paragraph 8(e)(2), subsections 8(b), 8(c) and 8(d) do not apply to an employee who lost a job for cause.

Under paragraph 8(e)(3), subsection 8(b) does not apply to an employee after such employee receives full-time, non-seasonal employment.

Subsection 8(f) defines "health insurance coverage" to have the meaning given in section 733(b)(1) of the Employee Retirement Income Security Act of 1974.

#### *Sec. 9.—Definitions.*

Subsection 9(a) defines the term "Federal credit instrument."

Subsection 9(b) defines the term "general aviation entity." This definition includes, but is not limited to, fixed base operators, flight schools, manufacturers of general aviation aircraft and products, persons engaged in nonscheduled aviation enterprises, general aviation airports, and general aviation independent contractors. General aviation independent contractors include employees of general aviation entities that provide services to such entity on a contract basis.

Subsection 9(c) clarifies that the term incremental losses does not include any loss the President determines would have been incurred if the terrorist attacks on the United States had not occurred.

#### HEARINGS AND LEGISLATIVE HISTORY

On September 25, 2001, the Aviation Subcommittee held a hearing on the economic impact of the September 11th attack on general aviation. On October 17, 2001 the Aviation Subcommittee held a hearing on prohibitions on general aviation activity in Enhanced Class B airspace.

#### COMMITTEE CONSIDERATION

On February 27, 2002, the Full Committee met in open session and ordered H.R. 3347 reported with amendments, by voice vote with a quorum present. There were no recorded votes taken during Committee consideration of H.R. 3347.

## ROLLCALL VOTES

Clause 3(b) of rule XIII of the House of Representatives requires each committee report to include the total number of votes cast for and against on each rollcall vote on a motion to report and on any amendment offered to the measure or matter, and the names of those members voting for and against. There were no recorded votes taken in connection with ordering H.R. 3347 reported. A motion by Mr. Mica to order H.R. 3347 favorably reported to the House with amendment was agreed to by voice vote, a quorum being present.

## COMMITTEE OVERSIGHT FINDINGS

With respect to the requirements of clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in this report.

## COST OF LEGISLATION

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives does not apply where a cost estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974 has been timely submitted prior to the filing of the report and is included in the report. Such a cost estimate is included in this report.

## COMPLIANCE WITH HOUSE RULE XIII

1. With respect to the requirement of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, and 308(a) of the Congressional Budget Act of 1974, the Committee references the report of the Congressional Budget Office included below.

2. With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee has received no report of oversight findings and recommendations from the Committee on Government Reform and Oversight on the subject of H.R. 3347.

3. With respect to the requirement of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 3347 from the Director of the Congressional Budget Office.

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, March 19, 2002.*

Hon. DON YOUNG,  
*Chairman, Committee on Transportation and Infrastructure, House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3347, the General Aviation Industry Reparations Act of 2002.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Mark Hadley.

Sincerely,

BARRY B. ANDERSON  
(For Dan L. Crippen, Director).

Enclosure.

*H.R. 3347—General Aviation Industry Reparations Act of 2002*

Summary: H.R. 3347 would provide financial assistance to general aviation entities (including airports, flight schools, manufacturers, crop dusters, and fuel suppliers) and their employees. This aid would include \$2.5 billion in grants, up to \$3 billion in direct loans or loan guarantees, and reimbursement for certain increases in insurance premiums that have occurred since the terrorist attacks on September 11th. The bill would require the President to submit a report, within 180 days of enactment, on the amount of assistance provided to each general aviation entity and its financial status.

Based on information from the Federal Aviation Administration (FAA) and representatives of the general aviation industry, CBO estimates that enacting H.R. 3347 would cost about \$2.7 billion over the 2002–2012 period. Because H.R. 3347 would designate all such costs as emergency requirements, pay-as-you-go procedures would not apply.

H.R. 3347 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The bill could benefit certain general aviation airports by providing loan guarantees and compensation for losses incurred as a result of the September 11 attacks; any costs to participating entities would be incurred voluntarily as a condition of federal assistance. This bill contains no new private-sector mandates as defined in UMRA.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3347 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By fiscal year, in millions of dollars—					
	2002	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING						
Grants to general aviation businesses, airports, and employees:						
Budget authority .....	2,500	0	0	0	0	0
Estimated outlays .....	250	1,250	750	250	0	0
Credit assistance to general aviation business and airports:						
Estimated budget authority .....	30	135	2	2	2	2
Estimated outlays .....	30	135	2	2	2	2
Total spending under H.R. 3347:						
Estimated budget authority .....	2,530	135	2	2	2	2
Estimated outlays .....	280	1,385	752	252	2	2

*Basis of estimate*

The financial assistance authorized by H.R. 3347 would be available without further appropriation and would be designated by Congress as emergency spending. Agencies could not obligate the money, however, unless the President also designates the spending

as an emergency requirement. For this estimate, CBO assumes that the bill will be enacted by July 1, 2002, and that the President will make the emergency designation. We estimate that enacting H.R. 3347 would increase direct spending by nearly \$2.7 billion over the 2002–2007 period.

#### *Grants*

Under the bill, the President would be authorized to provide up to \$2.5 billion in grants to general aviation entities as compensation for losses sustained as a direct result of federal orders that grounded flights after the terrorist attacks on September 11, 2001. General aviation entities, however, could only be compensated for losses sustained between September 11, 2001, and December 31, 2001. Such losses would include the wages and insurance benefits of employees who lost their jobs during this period as a result of federal regulations that halted flights.

Based on information from the FAA and industry associations, CBO estimates that about 50,000 businesses and airports would apply for compensation under H.R. 3347 and would be able to claim losses totaling at least \$3 billion—more than would be provided under the bill. The bill would require the President to compensate the employees of any business that receives federal compensation grants for any individual losses (wages and benefits). The bill would direct the President to give priority for compensation to small businesses based on the length of time that the entity was unable to operate because of federal regulations. CBO expects that gathering information from the affected entities and disbursing funds equitably would take a few years and that the funds would be disbursed by the end of fiscal year 2005.

#### *Federal credit assistance*

H.R. 3347 would allow the Air Transportation Stabilization Board, consisting of the Secretary of Transportation, the Secretary of the Treasury, and the Chairman of the Federal Reserve Board, to provide loan guarantees or direct loans worth up to \$3 billion to general aviation entities. The board would be required to ensure that the federal government is compensated for the risk of extending this credit assistance, and could accept warrants, stock options, or preferred stock in order to participate in any financial gains of a borrower.

Under procedures established by the Federal Credit Reform Act, the subsidy cost of a federal direct loan, loan guarantee, or line of credit is the estimated long-term cost to the government, calculated on a net present value basis. CBO estimates that the credit assistance provided under the bill would cost about 25 percent of the total amount borrowed and that general aviation entities would borrow about \$600 million of the \$3 billion available under the bill. We therefore estimate that the subsidy cost of this credit assistance would be about \$150 million. This estimate is based on information about the financial condition of the general aviation industry and the cost of loans and guarantees extended by the Small Business Administration.

In evaluating the risk to the government of extending credit to the general aviation industry, CBO considered how the financial position of general aviation entities would be affected by the \$2.5

billion in grants under the bill. For this estimate, CBO assumes that the Air Transportation Stabilization Board would issue federal credit assistance on terms similar to the assistance the board provides under current law to U.S. air carriers. Specifically, we assume the board would guarantee less than 100 percent of the value of the loan and that loans would reach maturity within seven years. The board's regulations also require borrowers to pay fees that would escalate each year the loan is outstanding. Such fees would reduce the cost of providing credit assistance. Some entities may not withstand their current financial strain, but we expect the Air Transportation Stabilization Board would exercise its discretion when choosing which entities to assist.

Based on information from industry associations and the cost of credit under H.R. 3347 relative to other private and government sources, CBO expects that few general aviation entities would seek this credit assistance. Many general aviation businesses could receive credit assistance under other federal programs on more favorable terms than the rules of the board would allow. Many airports are either owned or supported by state and local governments, and could obtain more favorable financing through public borrowing. Finally, because the bill would impose new constraints on general aviation airports and businesses that borrow under this program, this federal credit assistance may not be attractive to many entities. H.R. 3347 would require borrowers to pay the costs of up to six months of health insurance coverage for current and former employees who lost their insurance coverage as a result of the terrorist attacks of September 11, 2001. The bill also would require entities accepting credit assistance to limit the compensation of officers and employees for two years after enactment of H.R. 3347.

Because the board would need time to review credit applications, we expect it would issue most loans or guarantees during fiscal year 2003. The administrative expenses of the board would be the highest during those two years. We estimate that administering the program would cost about \$5 million in 2002, \$10 million in 2003, and \$2 million a year for the remaining years of the program.

H.R. 3347 would reduce the amount of loans and loan guarantees that the board may issue to air carriers under current law by the amount of loans and loan guarantees that it issues to general aviation entities under the bill. Based on the applications for credit assistance that the board has received to date, however, CBO estimates that at least \$600 million will not be used by air carriers. The board, therefore, could implement H.R. 3347 without affecting the existing program for air carriers.

#### *Reimbursement of war-risk insurance costs*

H.R. 3347 would expand an existing program to authorize the Secretary of Transportation to reimburse general aviation entities for increases in insurance premiums that occurred since September 11, 2002. This program expires, however, on March 22, 2002. For this estimate CBO assumes H.R. 3347 will be enacted after that date. Hence, this provision would have no cost.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. H.R. 3347 would designate the amount of new budget authority and outlays that would

result from the bill as an emergency requirement. Thus, the estimated cost of the bill—\$2.7 billion over the 2002–2012 period—would be exempt from pay-as-you-go procedures.

Estimated impact on state, local, and tribal governments: H.R. 3347 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill could benefit certain general aviation airports by providing loan guarantees and compensation for losses incurred as a result of the September 11 attacks; any costs to participating entities would be incurred voluntarily as a condition of federal assistance.

Estimated impact on the private sector: This bill contains no new private-sector mandates as defined in UMRA.

Estimate prepared by: Federal costs: Mark Hadley; impact on state, local, and tribal governments: Susan Sieg Tompkins; impact on the private sector: Cecil McPherson.

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis.

#### COMMITTEE CORRESPONDENCE

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, DC, March 6, 2002.*

Hon. DON YOUNG,  
*Chairman, Committee on Transportation and Infrastructure, Rayburn House Office Building, Washington, DC.*

DEAR MR. CHAIRMAN: On February 27, 2002, the Committee on the Transportation and Infrastructure ordered reported H.R. 3347, the General Aviation Industry Reparations Act of 2001. As you know, the Committee on Financial Services was granted an additional referral upon the bill's introduction pursuant to the Committee's jurisdiction over financial aid to commerce and industry under clause 1(g) of rule X of the Rules of the House of Representatives.

Because of your willingness to consult with the Committee on Financial Services regarding this matter and the need to move this legislation expeditiously, I will waive consideration of the bill by the Financial Services Committee. By agreeing to waive its consideration of the bill, the Financial Services Committee does not waive its jurisdiction over H.R. 3347. In addition, the Committee on Financial Services reserves its authority to seek conferees on any provisions of the bill that are within its jurisdiction during any House-Senate conference that may be convened on this legislation. I ask your commitment to support any request by the Committee on Financial Services for conferees on H.R. 3347 or related legislation.

I request that you include this letter and your response as part of your committee's report on the bill and the Congressional Record during consideration of the legislation on the House floor.

Thank you for your attention to these matters.

Sincerely,

MICHAEL G. OXLEY,  
*Chairman.*

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,  
*Washington, DC, March 7, 2002.*

Hon. MICHAEL G. OXLEY,  
*Chairman, Committee on Financial Services,*  
*Rayburn Building, Washington, DC.*

DEAR MR. CHAIRMAN: Thank you for your letter of March 6, 2002, regarding H.R. 3347, the General Aviation Industry Reparations Act of 2001 and for your willingness to waive consideration of provisions in the bill that fall within your Committee's jurisdiction under House Rules.

I agree that your waiving consideration of relevant provisions of H.R. 3347 does not waive your Committee's jurisdiction over the bill. I also acknowledge your right to seek conferees on any provisions that are under your Committee's jurisdiction during any House-Senate conference on H.R. 3347 or similar legislation, and will support your request for conferees on such provisions.

As you request, your letter and this response will be included in the committee report on the legislation as well as the Congressional Record during consideration on the House Floor.

Thank you for your cooperation in moving this important legislation.

Sincerely,

DON YOUNG,  
*Chairman.*

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE BUDGET,  
*Washington, DC, April 11, 2002.*

Hon. DENNIS J. HASTERT,  
*Speaker, House of Representatives,*  
*The Capitol, Washington, DC.*

DEAR MR. SPEAKER: On February 27, 2002 the Committee on Transportation and Infrastructure ordered reported H.R. 3347, the General Aviation Industry Reparations Act of 2001. At introduction, H.R. 3347 was appropriately referred to the Committee on the Budget under House Rule X and the Committee's jurisdiction over the enforcement of special controls over the Federal budget.

I do not intend to schedule a committee meeting to consider H.R. 3347; and will support your waiver of our consideration pursuant to House Rule XII. By agreeing to waive consideration of H.R. 3347, the Committee does not waive its jurisdiction over H.R. 3347. In addition, the Committee on the Budget reserves its authority to seek conferees on H.R. 3347 or a similar Senate bill with respect to provisions that are within the committee's jurisdiction.

Thank you for your attention to these matters.

Sincerely,

JIM NUSSLE,  
*Chairman.*



HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE BUDGET,  
*Washington, DC, April 11, 2002.*

Hon. DON YOUNG,  
*Chairman, Committee on Transportation and Infrastructure, Ray-  
burn House Office Building, Washington, DC.*

DEAR MR. YOUNG: On February 27, 2002 the Committee on Transportation and Infrastructure ordered reported H.R. 3347, the General Aviation Industry Reparations Act of 2001. At introduction, H.R. 3347 was appropriately and additionally referred to the Committee on the Budget under House Rule X and the Committee's jurisdiction over the enforcement of special controls over the Federal budget.

In order to expedite the consideration of H.R. 3347, I do not intend to mark up H.R. 3347. By agreeing to waive consideration of H.R. 3347, the committee does not waive its jurisdiction or its prerogatives over H.R. 3347. The Committee on the Budget reserves its authority to seek conferees on H.R. 3347 or similar Senate bill with respect to provisions that are within the committee's jurisdiction. I ask your commitment to support any request by the Committee on the Budget for conferees on H.R. 3347.

Finally, I would ask that you include a copy of our exchange of letters on this matter in your Committee Report and in the Congressional Record during floor consideration. Thank you for your assistance and cooperation in this matter.

Sincerely,

JIM NUSSLE,  
*Chairman.*

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,  
*Washington, DC, April 11, 2002.*

Hon. JIM NUSSLE,  
*Chairman, Committee on the Budget,  
Cannon Building, Washington, DC.*

DEAR MR. CHAIRMAN: Thank you for your letter of April 11, 2002, regarding H.R. 3347, the General Aviation Industry Reparations Act of 2001 and for your willingness to waive consideration of provisions in the bill that fall within your Committee's jurisdiction under House Rules.

I agree that your waiving consideration of relevant provisions of H.R. 3347 does not waive your Committee's jurisdiction over the bill. I also acknowledge your right to seek conferees on any provisions that are under your Committee's jurisdiction during any House-Senate conference on H.R. 3347 or similar legislation, and will support your request for conferees on such provisions.

As you request, your letter and this response will be included in the committee report on the legislation as well as in the Congressional Record during consideration on the House Floor.

Thank you for your cooperation in moving this important legislation.

Sincerely,

DON YOUNG,  
*Chairman.*

#### CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause (3)(d)(1) of rule XIII of the Rules of the House of Representatives, committee reports on a bill or joint resolution of a public character shall include a statement citing the specific powers granted to the Congress in the Constitution to enact the measure. The Committee on Transportation and Infrastructure finds that Congress has the authority to enact this measure pursuant to its powers granted under article I, section 8 of the Constitution.

#### FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104–4.)

#### PREEMPTION CLARIFICATION

Section 423 of the Congressional Budget Act of 1994 requires the report of any Committee on a bill or joint resolution to include a statement on the extent to which the bill or joint resolution is intended to preempt state, local or tribal law. The Committee states that H.R. 3347 does not preempt any state, local or tribal law.

#### ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

#### APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act. (Public Law 104–1.)

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in *italic* and existing law in which no change is proposed is shown in *roman*):

#### SECTION 44302 OF TITLE 49, UNITED STATES CODE

##### § 44302. General authority

(a) \* \* \*

(b) REIMBURSEMENT OF INSURANCE COST INCREASES.—

(1) IN GENERAL.—The Secretary may reimburse an air carrier or general aviation entity (*as defined in section 3 of the*

*General Aviation Industry Reparations Act of 2002*) for the increase in the cost of insurance, with respect to a premium for coverage ending before October 1, 2002, against loss or damage arising out of any risk from the operation of an American aircraft over the insurance premium that was in effect for a comparable operation during the period beginning September 4, 2001, and ending September 10, 2001, as the Secretary may determine. Such reimbursement is subject to subsections (a)(2), (c), and (d) of this section and to section 44303.

\* \* \* \* \*

(4) TERMINATION OF AUTHORITY.—The authority to reimburse air carriers *and general aviation entities* under this subsection shall expire 180 days after the date of enactment of this paragraph.

(c) PRESIDENTIAL APPROVAL.—The Secretary may provide insurance or reinsurance under subsection (a) of this section, or reimburse an air carrier *or general aviation entity (as defined in section 3 of the General Aviation Industry Reparations Act of 2002)* under subsection (b) of this section, only with the approval of the President. The President may approve the insurance or reinsurance or the reimbursement only after deciding that the continued operation of the American aircraft or foreign-flag aircraft to be insured or re-insured is necessary in the interest of air commerce or national security or to carry out the foreign policy of the United States Government.

(d) CONSULTATION.—The President may require the Secretary to consult with interested departments, agencies, and instrumentalities of the Government before providing insurance or reinsurance or reimbursing an air carrier *or general aviation entity (as defined in section 3 of the General Aviation Industry Reparations Act of 2002)* under this chapter.

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